



North American Gas Macro

CEC - Natural Gas Stakeholders Working Group
Discussion Document June 7, 2012



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This presentation includes certain forward-looking statements and projections. The company has made every reasonable effort to ensure that the information and assumptions on which these statements and projections are based are current, reasonable, and complete. However, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this presentation, including, without limitation, our ability to execute our strategy of selling assets to El Paso Pipeline Partners, L.P.; our ability to pay dividends declared; volatility in, and access to, the capital markets; our ability to implement and achieve objectives in our 2011 plan and updated guidance, including achieving our earnings and cash flow targets; the effects of any changes in accounting rules and guidance; our ability to meet production volume targets in our Exploration and Production segment; the uncertainty of estimating proved reserves and unproved resources, the future level of service and capital costs, the availability and cost of financing to fund our future exploration and production operations; the success of our drilling programs with regard to proved undeveloped reserves and unproved resources; our ability to successfully identify and finance new Midstream opportunities; our ability to comply with the covenants in our various financing documents; our ability to obtain necessary governmental approvals for proposed pipeline and E&P projects and our ability to successfully construct and operate such projects; the risks associated with recontracting of transportation commitments by our pipelines; regulatory uncertainties associated with pipeline rate cases; actions by the credit rating agencies; the successful close of our financing transactions; credit and performance risk of our lenders, trading counterparties, customers, vendors and suppliers; changes in commodity prices and basis differentials for oil, natural gas, and power; general economic and weather conditions in geographic regions or markets served by the company and its affiliates, or where operations of the company and its affiliates are located, including the risk of a global recession and negative impact on natural gas demand; the uncertainties associated with governmental regulation; political and currency risks associated with international operations of the company and its affiliates; competition; and other factors described in the company's (and its affiliates') Securities and Exchange Commission filings. While the company makes these statements and projections in good faith, neither the company nor its management can guarantee that anticipated future results will be achieved. Reference must be made to those filings for additional important factors that may affect actual results. The company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the company, whether as a result of new information, future events, or otherwise.

Certain of the production information in this presentation include the production attributable to El Paso's 48.8 percent interest in Four Star Oil & Gas Company ("Four Star"). El Paso's Supplemental Oil and Gas disclosures, which are included in its Annual Report on Form 10-K, reflect its interest in the proved reserves of Four Star separate from its consolidated proved reserves. In addition, the proved reserves attributable to its interest in Four Star represent estimates prepared by El Paso and not those of Four Star.

Cautionary Note to U.S. Investors — In this presentation, we have disclosed our proved reserves using the SEC's definition of proved reserves under rules effective December 31, 2009. Proved reserves are estimated quantities of hydrocarbons that geological and engineering data demonstrate with reasonable certainty to be recoverable in the future from known reservoirs under the assumed economic conditions. Although the SEC now allows companies to report probable and possible reserves, we have elected not to report on such basis in our SEC filings. In this presentation, we have provided estimates of our "riskd" and "unriskd" unproved resources, which are different than probable and possible reserves as defined by the SEC. Note that we are not permitted to include or refer to our unproved resources on such a basis in any SEC filings, and these estimates of riskd and unriskd unproved resources should not be construed as comparable to disclosures of our proved reserves. Riskd and unriskd unproved resources are estimates of potential reserves that are made using accepted geological and engineering analytical techniques. Unriskd resources are less certain than riskd resources as they do not contemplate the likelihood of a successful outcome. Investors are urged to closely consider the disclosures and risk factors in our Forms 10-K and 10-Q, available from our offices or from our website at <http://www.elpaso.com>, including the inherent uncertainties in estimating quantities of proved reserves.

➤ Agenda

- Macro Fundamentals Overview
- Asset Rationalization
- Business Development Activity on EPNG

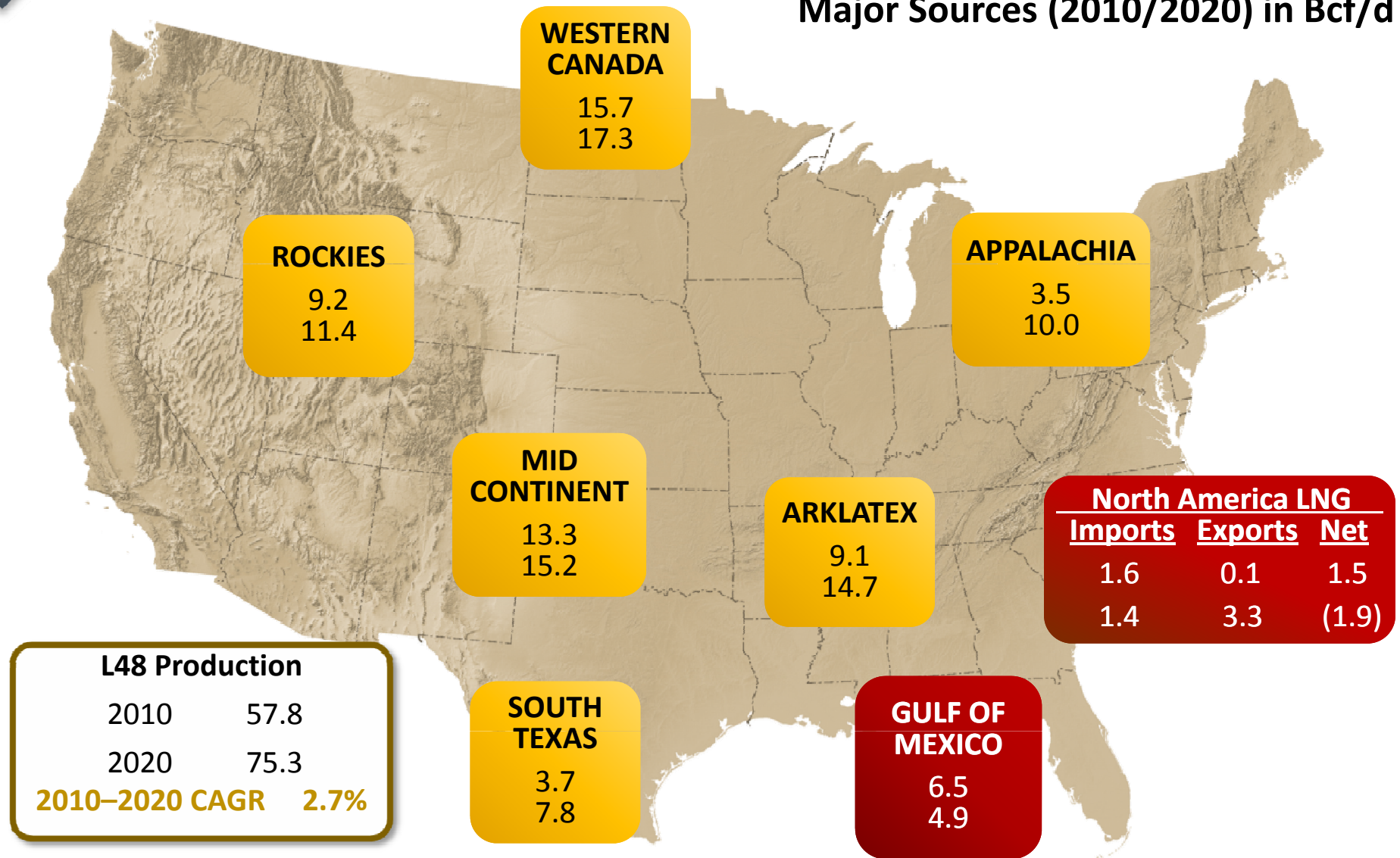
Macro Trends

(2010–2020)

- Growing long-term demand
 - Economy → Electricity → Gas
- Environmental and climate regulation
 - Power: Coal ↓, Renewables ↑, Nuclear ?
- Dramatic supply growth
 - Unconventional production: Shales ↑, Rockies ↑, Liquids ↑
- Persistent oil-gas price disparity
 - Resource swaps: Gas ↔ Liquid
- Changing trade balance
 - Imports: Canada ↓, LNG ↓; Exports: Mexico ↑, LNG ↑, NGL ↑
- Infrastructure impetus
 - New sources → New plumbing → New money

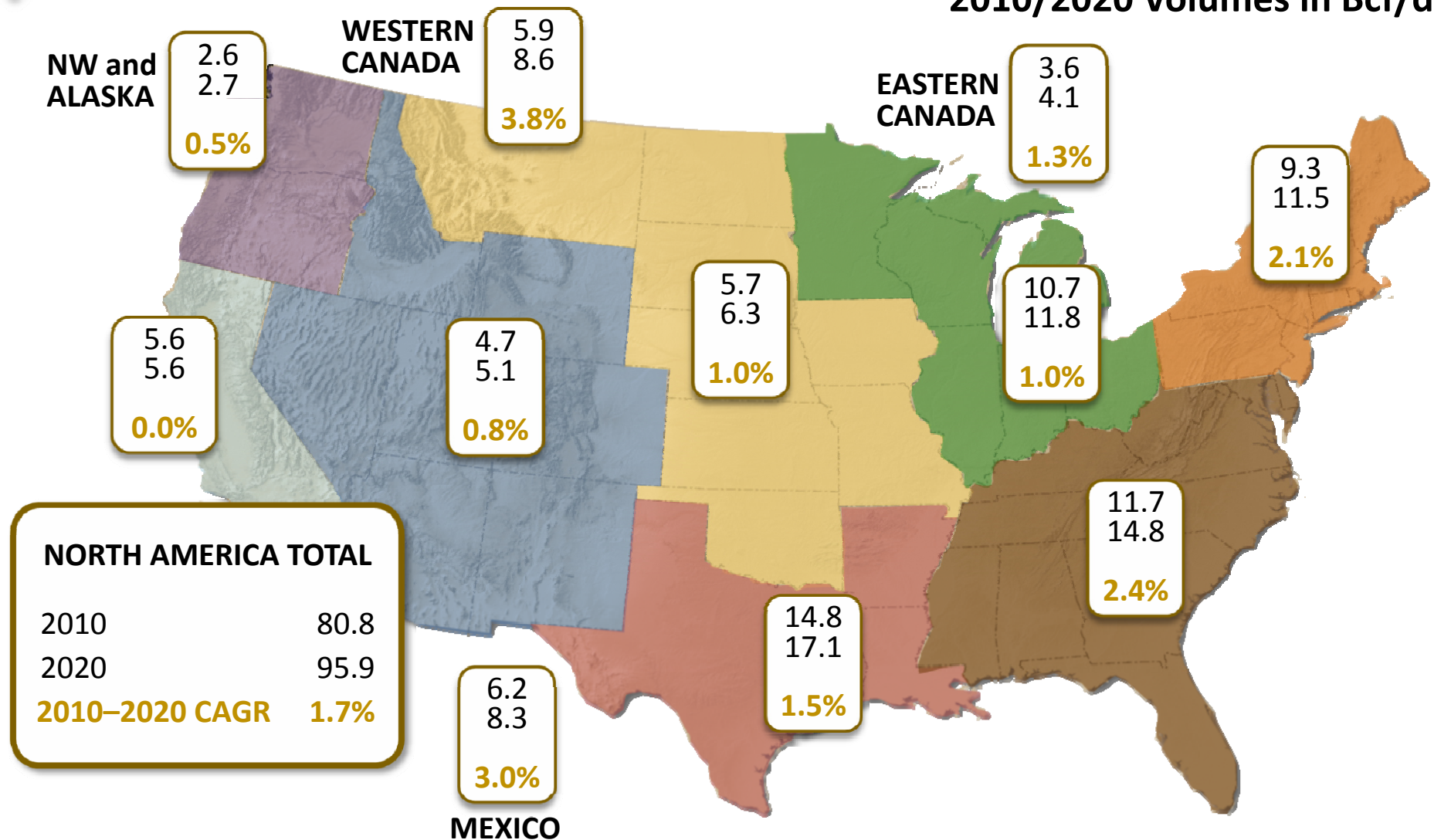
Unconventional Gas Drives Supply Growth

Major Sources (2010/2020) in Bcf/d

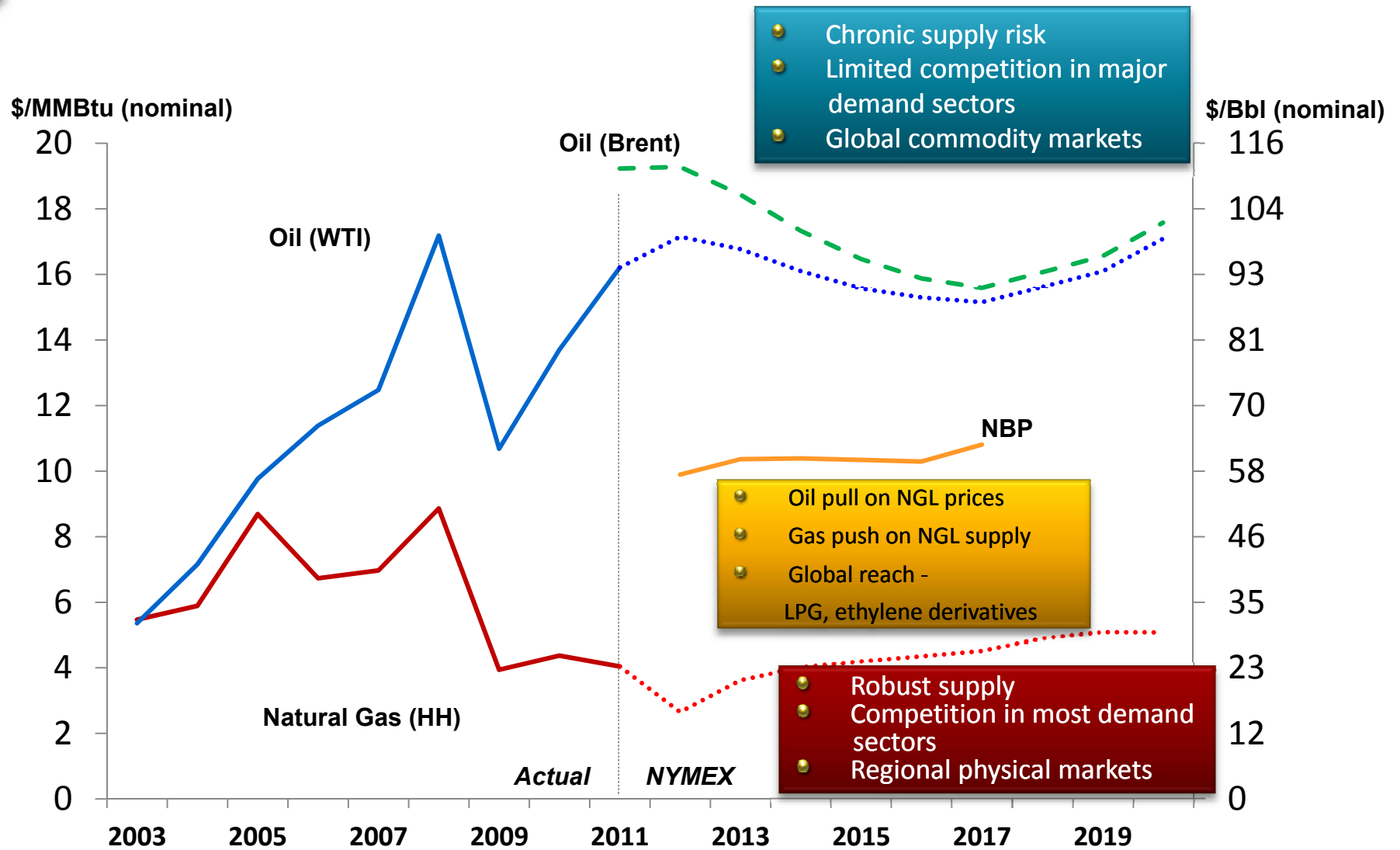


Gas Demand Growth Varies Across Regions

2010/2020 Volumes in Bcf/d



Persistent Oil Premium



Shale Surge Shifts Gas Trade Flows

CANADA DEMAND ↑

Western Canada Oil Sands
Eastern Canada Coal Generation Retirements
All Canada: GHG Coal Replacement Policy

+3.2

CANADA SUPPLY

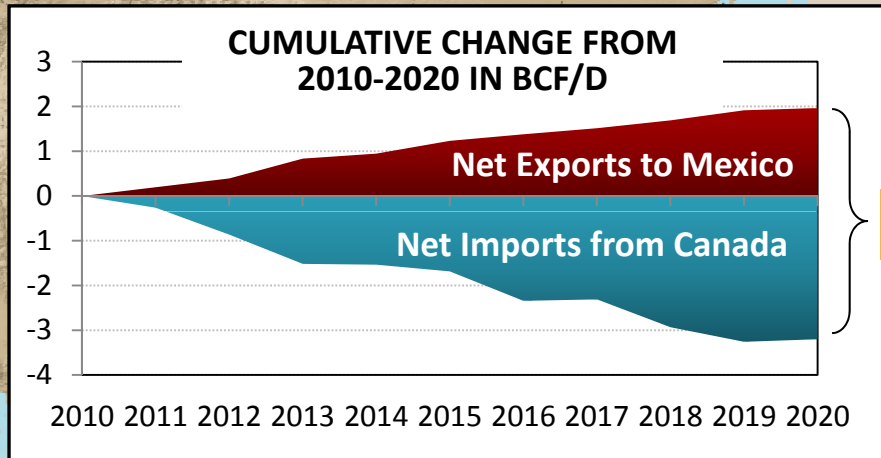
WCSB Conventional ↓
Unconventional ↑

+1.3¹

+1.3



LNG EXPORTS



MEXICO DEMAND ↑

Powergen and Industrial Growth
Oil Conversion

+2.1

MEXICO SUPPLY

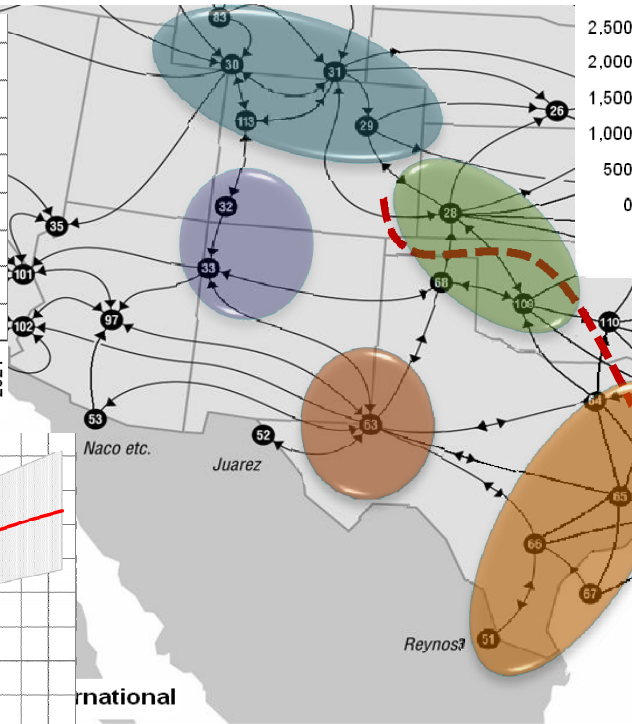
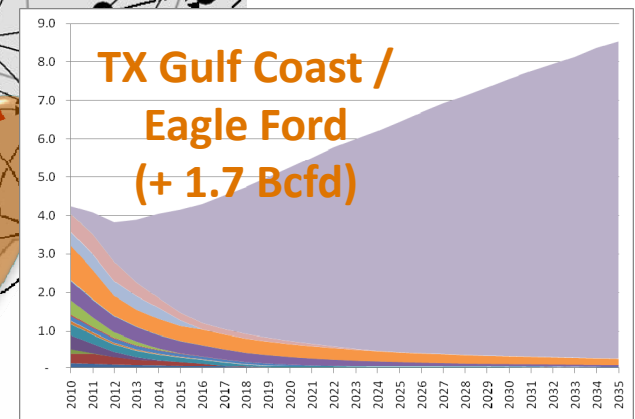
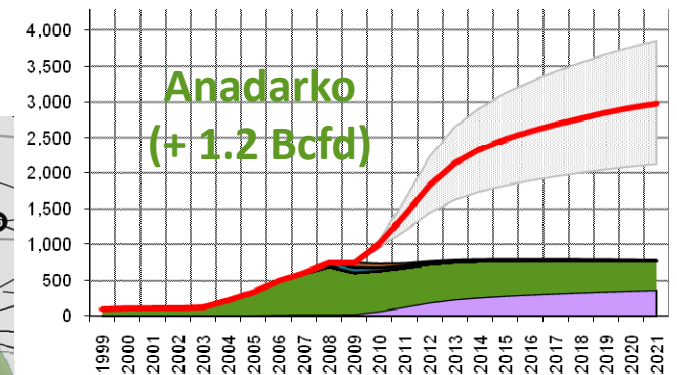
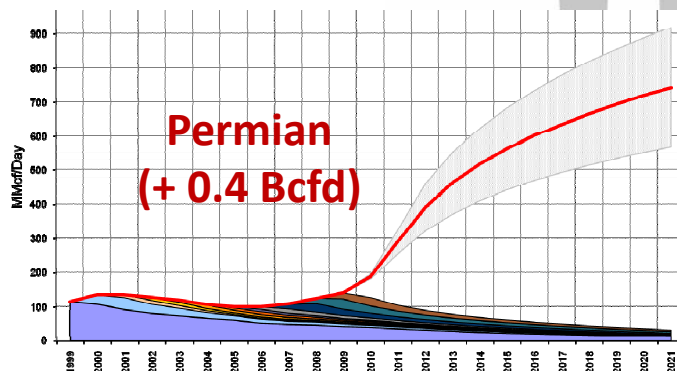
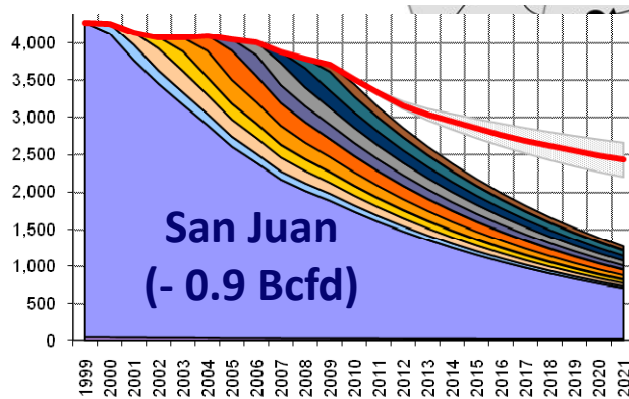
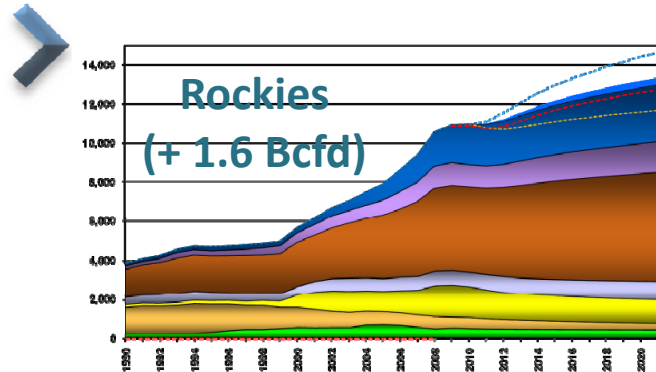
Gas Production declines as drilling shifts to oil
LNG imports trail demand growth

+0.1¹

¹Production + LNG imports

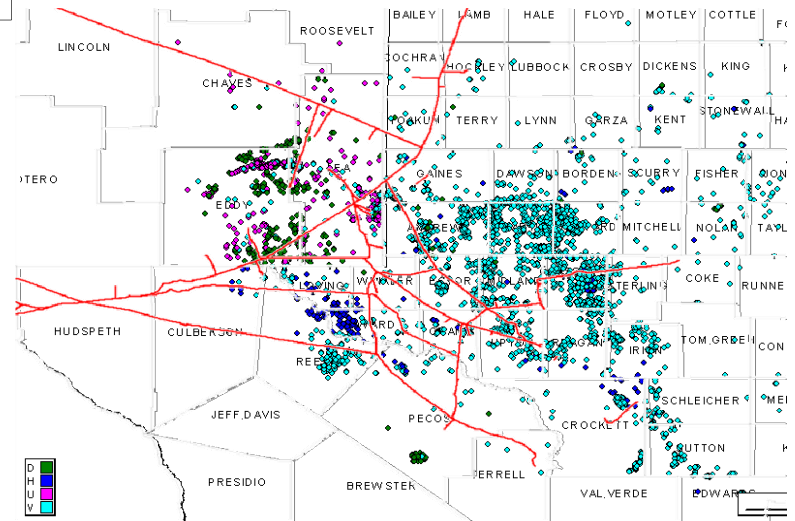
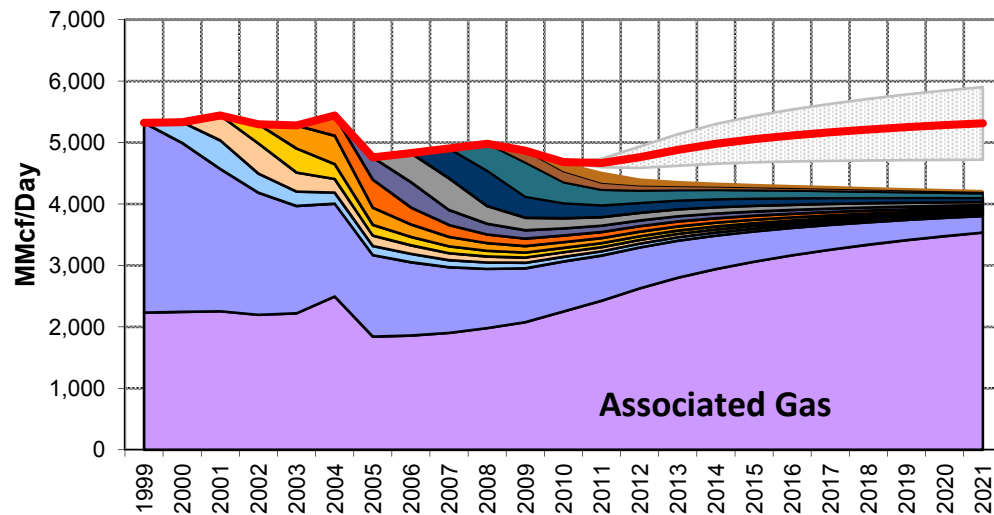
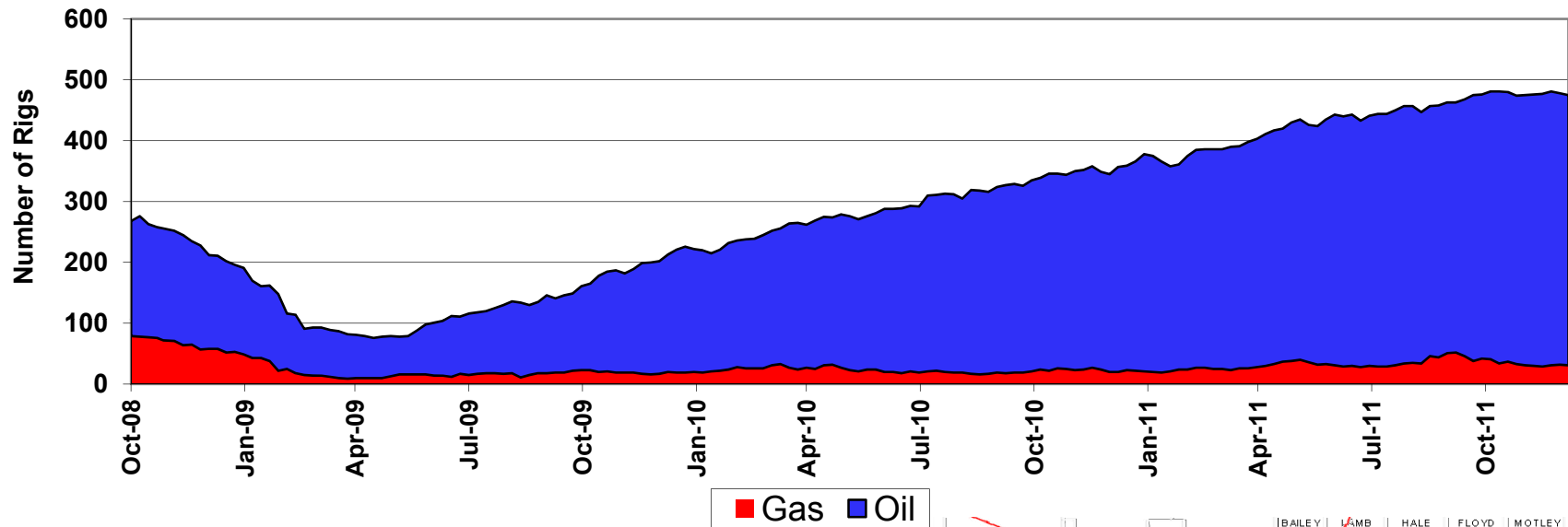
Regional Production Forecast

Rockies gas continues to displace Midcontinent gas forming a capacity barrier (in red). San Juan decline + Southwest demand increases (primarily Mexico) offer an alternative market to Anadarko, Eagle Ford, and Permian production increases



Source: KMPProduction Forecasts (San Juan, Permian, Rockies & Granite Wash); CERA (TX Gulf Coast & Rockies - chart)

Permian: Growth From Associated Gas



12 mos. well permit data. Source: HDPI

Forecasted Flow Changes

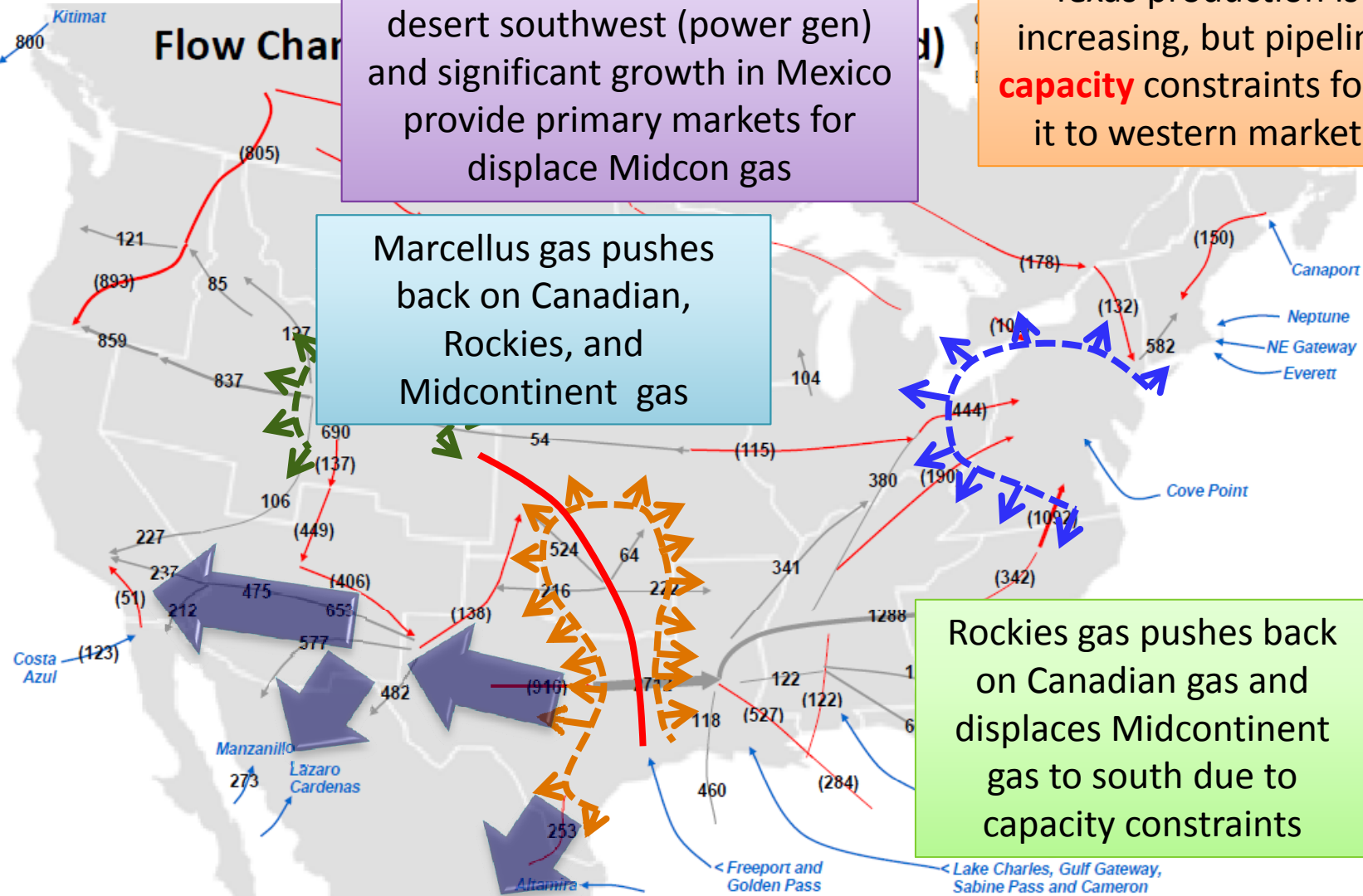
(2012 vs. 2020)

Declining San Juan Basin production, modest growth in desert southwest (power gen) and significant growth in Mexico provide primary markets for displace Midcon gas

Midcontinent and South Texas production is increasing, but pipeline **capacity** constraints force it to western markets

Marcellus gas pushes back on Canadian, Rockies, and Midcontinent gas

Rockies gas pushes back on Canadian gas and displaces Midcontinent gas to south due to capacity constraints



Mexico Demand Growth

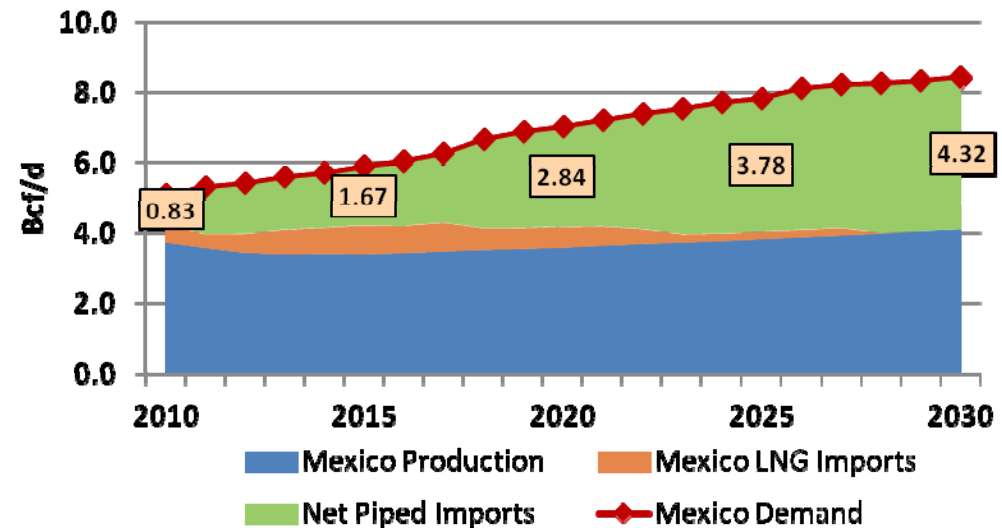
Summary

Mexico's demand for U.S. natural gas is poised to grow significantly

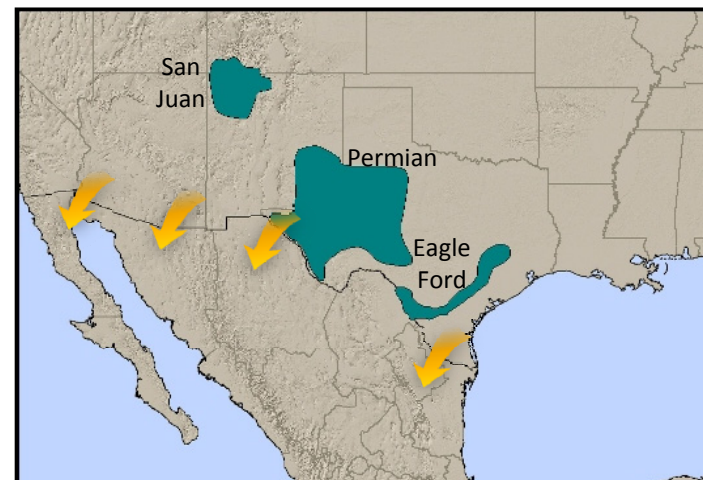
- Mexico is changing its plans for 10 new nuclear power facilities to make them gas-fired instead
- Mexico is seeking \$10 B in private investment to fund gas pipeline infrastructure expansion to address rising demand
- CFE plans to invest \$4.9 B primarily in plant generation to keep pace with electricity demand
 - Most capacity will be gas-fired
- Mexico's renewable power generation plans are being scaled back due to readily available, inexpensive U.S. shale gas
- Mexico's LNG imports are far below expectations
 - Costal Azul has only received 3 shipments in 2011
 - Manzanillo's in-service is being marred by delays
 - LNG shipments are being sent to Asia before North America due to low gas prices
 - Causes further downward pressure upon Mexico LNG imports

Gas Needed in Mexico From Southwest U.S.

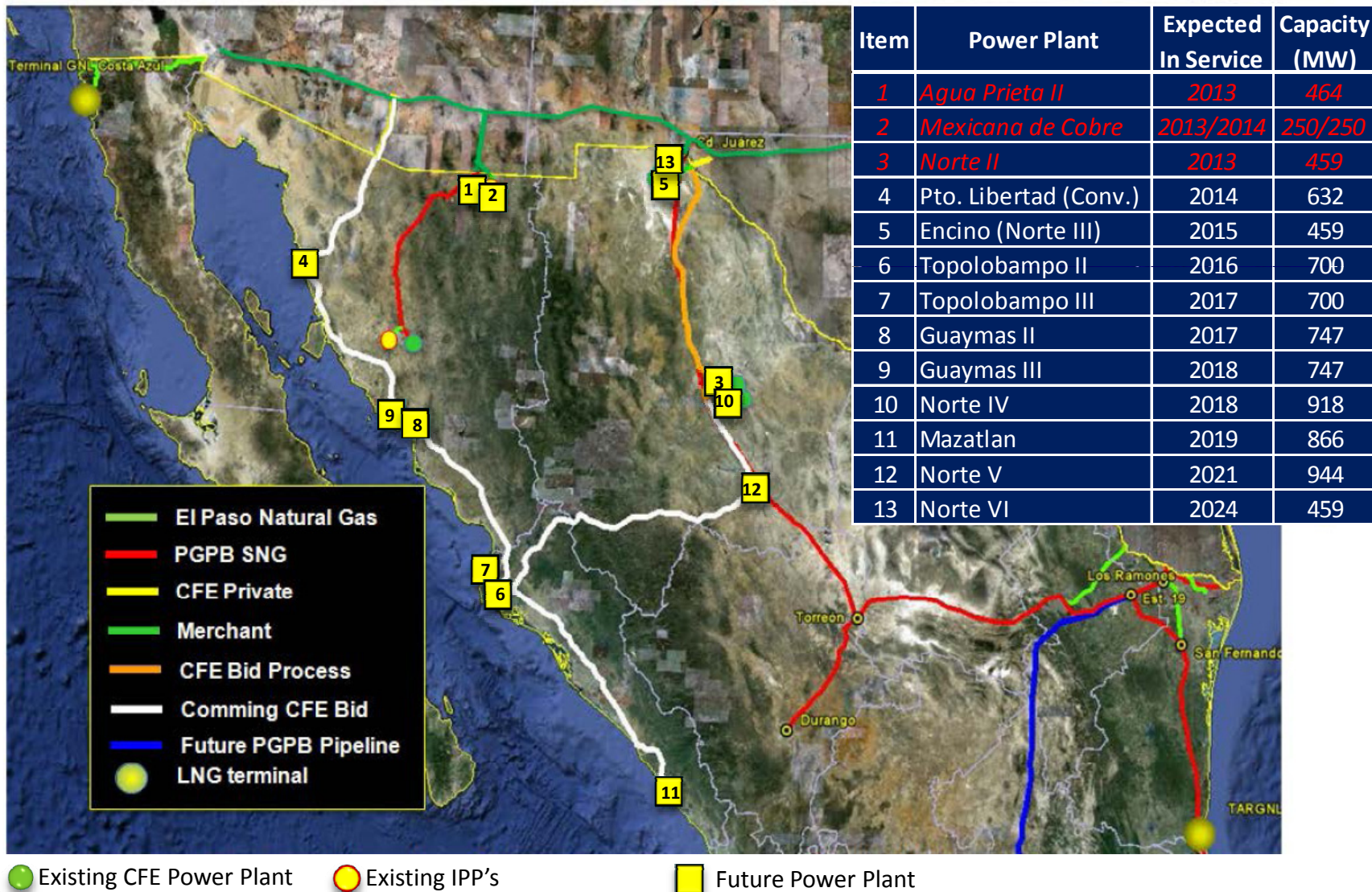
- Mexico natural gas demand growth spurred by power generation, from both new plants and oil conversions
- Mexico rig activity is emphasizing oil instead of gas
- Global LNG pricing will limit LNG imports in to Mexico
- To meet demand growth, imports from southwestern U.S. will be needed



Source: Wood Mackenzie Long Term View-November 2011



Mexico Drivers of Growth



Source: CFE Presentation, November 2011

Macro Implications

Summary

- Downward pressure on Permian prices caused by production growth and capacity constraints
 - Shale gas production is growing substantially in Permian, Eagle Ford, Barnett, and Granite Wash
 - Pipeline capacity constraints create an West-to-East barrier which Permian gas will have difficulty crossing
- Rockies, Canadian, and Marcellus gas puts pressure on Midcontinent gas
 - Prices continue to trade lower than Permian and push out Permian gas
- New opportunities in Mexico attract westward flow from the Permian

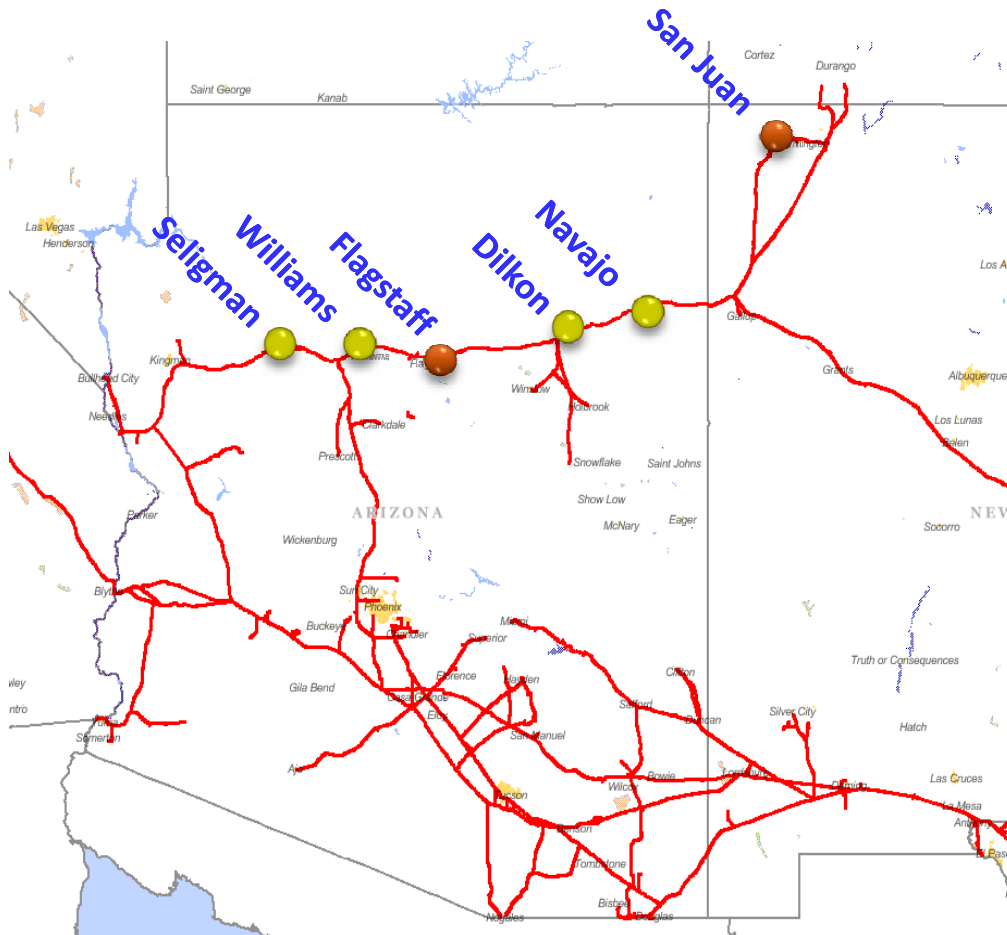


Business Development

EPNG Abandonment Filing

EPNG filed in January to abandon six compressor station/units

- Reduce North system capacity by about 400 Mdth/D
- Reduce San Juan Triangle capacity by about 250 Mdth/D
- Reduce O&M and maintenance capital by \$20+ MM over next 5 years
- Rationalize capacity to better match Customer needs



- Indicates compressor station to be abandoned
- Indicates abandonment of some compression

Compressor Station	Existing Horsepower (ISO)	Abandoned Horsepower (ISO)	Remaining Horsepower (ISO)
San Juan	3,480	3,480	0
Flagstaff	11,000	11,000	0
Navajo	41,020	20,500	20,520
Dilkon	27,450	13,450	14,000
Williams	43,400	32,000	11,400
Seligman	24,610	9,610	15,000

EPNG Projects

Project	Capital (thousands)
1) Permian Basin Uplift	N/A
2) ATMOS	\$10,181
3) Samalayuca	\$7,856
4a) Willcox	\$23,101
4b) Willcox II	\$15,960
5) Sasabe	\$235,820

